

323 – REGIONAL BEHAVIORAL HEALTH AUTHORITIES CYE 16 AND CYE 17 - TITLE XIX/XXI RECONCILIATION AND SFYE 17 AND FORWARD NON- TITLE XIX/XXI PROFIT LIMIT

EFFECTIVE DATE: 10/01/15

REVISION DATE: 09/07/17

I. PURPOSE

This Policy applies to RBHA Contractors.

The Title XIX/XXI Reconciliation applies to Contract Years Ending (CYE) 2016 and 2017 and is based upon adjudicated medical expense and net capitation as described in this Policy. AHCCCS will recoup/reimburse a percentage of the Contractor's profit or loss as described below. All profit/loss sharing is based on adjudicated encounter data and subcapitated/block purchase expense reports. This reconciliation is performed annually on a CYE basis.

The Non-Title XIX/XXI Profit Limit applies to State Fiscal Year (SFY) 2017 and forward and is based on financial information as reported for the four quarters ended June 30 or, if there is an audit adjustment, is based on the Contractor's final adjusted year-to-date June Financial Statements and final Non-Title XIX/XXI Profit Limit Template. The analysis is performed after the Contractor's annual audit is finalized and any audit adjustments applying to Non-Title XIX/XXI for the four quarters ended June 30 have been incorporated. This reconciliation is performed annually on a SFY basis.

II. DEFINITIONS

ADMINISTRATIVE COMPONENT

The administrative component is equal to the contracted administrative percentage. For Title XIX/XXI, this also includes any administrative adjustments deemed necessary by AHCCCS during the capitation rate setting process for the contract year being reconciled.

HEALTH INSURANCE PROVIDERS FEE CAPITATION ADJUSTMENT

For Title XIX/XXI, the portion of capitation that accounts for the Contractor's liability for the excise tax imposed by section 9010 of the Patient Protection and Affordable Care Act, and the premium tax, and any other state or federal taxes associated with that portion of the capitation rate.

MEDICAL REVENUE

For Non-Title XIX/XXI, medical revenue represents 92% of funds paid by AHCCCS in the state fiscal year.

MEDICAL EXPENSE

For Title XIX/XXI, medical expense is defined as expenses incurred by the Contractor for covered physical and behavioral services with dates of service during the contract year as reported through fully adjudicated encounters and subcapitated/block purchase expenses.

For Non-Title XIX/XXI, medical expense is defined as expenses incurred by the Contractor for covered behavioral health services with dates of service during the state fiscal year.

NET CAPITATION

For Title XIX/XXI, net capitation means capitation less the administrative component, the health insurance providers fee capitation adjustment and, beginning with capitation rates effective July 1, 2016 the premium tax component.

PREMIUM TAX

For Title XIX/XXI, the premium tax is equal to the tax imposed pursuant to A.R.S. §36-2905 for all Title XIX/XXI payments made to Contractors for the contract year.

**PRIOR PERIOD COVERAGE
(PPC)**

For Title XIX/XXI, a period of time prior to the member's enrollment with the Contractor, during which a member is eligible for covered services. The timeframe is from the first day of the month of application until the date the member is enrolled with the Contractor. Refer to 9 A.A.C. 22 Article 1. If a member made eligible via the Hospital Presumptive Eligibility (HPE) program is subsequently determined eligible for AHCCCS via the full application process, prior period coverage for the member will be covered by AHCCCS fee for service and the member will be enrolled with the Contractor only on a prospective basis.

**STATE FISCAL YEAR
(SFY)**

The period from July 1 through June 30.

**SUBCAPITATED/BLOCK
PURCHASE EXPENSES**

Expenses incurred by the Contractor as payments to a provider under a subcapitated or block purchase arrangement. The subcapitated/block purchase expenses used in this reconciliation are for Title XIX/XXI funding sources only and are reported by the Contractor through quarterly financial reports in the format required by AHCCCS. The reported expenses are attested annually by an independent auditor and documented in the Contractors' Audit Report.

**PERFORMANCE BASED
PAYMENT**

For Title XIX/XXI, a payment from a Contractor to a provider upon successful completion or expectation of successful completion of contracted goals/measures in accordance with the Value Based Purchasing (VBP) strategy selected for the contract. This is a non-encounterable payment and does not reflect payment for a direct medical service to a member. This payment will typically occur after the completion of the contract period, but could include quarterly or semiannual payments if contract terms specify such payments in recognition of successful performance measurement. Refer to ACOM Policy 322 CYE 16 and CYE 17 for more information.

III. TITLE XIX/XXI RECONCILIATION POLICY

A. GENERAL

1. The reconciliation shall be based on Net Capitation less Medical Expense. The amount due from or due to the Contractor as the result of this reconciliation will be based on aggregated profits and losses across the Title XIX/XXI populations (refer to Section III.C.2.) for Medicaid covered services provided with Title XIX/XXI capitation funding as described below. If applicable, the enhanced portion of a payment for Primary Care Enhanced Payment (PCP Parity) that is subject to AHCCCS cost settlement will not be included in the reconciliation, the non-enhanced portion of the payment will be included in the reconciliation.
2. The reconciliation will limit the Contractor's profits and losses per contract year to the percent of net capitation according to the following schedule:

PROFIT	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR PROFIT
MARICOPA COUNTY CONTRACTOR FOR CYE 16 AND GREATER ARIZONA CONTRACTORS FOR CYE 16 AND CYE 17			
<= 4%	100%	0%	4%
> 4%	0%	100%	4%
MARICOPA COUNTY CONTRACTOR CYE 17			
<= 1%	100%	0%	1%
> 1%	0%	100%	1%

LOSS	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR LOSS
MARICOPA COUNTY CONTRACTOR FOR CYE 16 AND GREATER ARIZONA CONTRACTORS FOR CYE 16 AND CYE 17			
<= 4%	100%	0%	4%
> 4%	0%	100%	4%
MARICOPA COUNTY CONTRACTOR CYE 17			
<= 1%	100%	0%	1%
> 1%	0%	100%	1%

Profits in excess of the percentages set forth above will be recouped by AHCCCS including any applicable premium tax. Losses in excess of the percentages set forth above will be paid to the Contractor and will include a provision for premium tax.

B. AHCCCS RESPONSIBILITIES

1. No sooner than six months after the end of the period to be reconciled, AHCCCS shall perform an initial reconciliation of actual medical cost experience to net capitation as follows:

Profit/Loss to be Reconciled = Net Capitation less Medical Expense.

Profit/Loss of Net Capitation % = Profit/Loss to be Reconciled divided by Net Capitation.

Attachment A to this Policy provides an example of the calculation of the Title XIX/XXI reconciliation for the Maricopa County Contractor and the Greater Arizona Contractors for CYE 16.

Attachment B to this Policy provides an example of the Title XIX/XXI reconciliation calculation for the Maricopa County Contractor for CYE 17.

Attachment C to this Policy provides an example of the Title XIX/XXI reconciliation calculation for the Greater Arizona Contractors for CYE 17.

2. AHCCCS will utilize only Title XIX/XXI medical expense supported by fully adjudicated encounters and subcapitated/block purchase expenses reported by the Contractor to determine the expense subject to reconciliation. If applicable, the enhanced portion of a payment for PCP Parity that is subject to AHCCCS cost settlement will not be included in the reconciliation, the non-enhanced portion of the payment will be included in the reconciliation.

3. AHCCCS will compare fully adjudicated encounters and self-reported subcapitated/block purchase expense information to financial statements and other Contractor submitted files for reasonableness. AHCCCS may perform an audit of self-reported subcapitated or block purchase expenses included in the reconciliation.
4. AHCCCS will provide the Contractor the data used for the initial reconciliation and provide written notice of the deadlines for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted. AHCCCS may include adjustments to the reconciliations and may also identify any adjustments for completion factors. AHCCCS may process partial distributions/recoupments through future monthly capitation payments.
5. A final reconciliation will be performed no sooner than 15 months after the end of the period to be reconciled. This will allow for completion of the claims lag and encounter reporting. AHCCCS will provide the Contractor the data used for the final reconciliation and written notice of the deadline for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted.
6. Any amount due to or due from the Contractor as a result of the final reconciliation that was not distributed or recouped as part of the initial reconciliation will be paid or recouped through a future monthly capitation payment.
7. For CYE 17 and forward, AHCCCS will add the total of all performance based payments pursuant to ACOM Policy 322 CYE 16 and CYE 17 to the total of the reconciliation receivable or payable, or as an added payable if the Contractor is within the risk corridor/band. This will only be added to the final reconciliation.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall submit encounters for medical expenses and those encounters must reach fully adjudicated status by the required due dates. AHCCCS will only utilize fully adjudicated encounters reported by the Contractor to determine the Fee-For-Service medical expense used in the reconciliation.
2. The Contractor shall maintain financial statements that separately identify all revenue and medical expenses for each Title XIX/XXI populations (Non CMDP Child, CMDP Child, DD Child, DD Adult, GMH/SA Non Dual, SMI Integrated and SMI Non Integrated), and shall submit such statements as required by contract and in the format specified in the AHCCCS Financial Reporting Guide for RBHA Contractors.

3. The Contractor shall monitor the estimated Title XIX/XXI reconciliation receivable/payable and record appropriate accruals by Title XIX/XXI funding source on all financial statements submitted to AHCCCS on a quarterly basis as specified in the AHCCCS Financial Reporting Guide for RBHA Contractors.
4. It is the Contractor's responsibility to identify to AHCCCS any encounter data issues or necessary adjustments associated with the initial reconciliation by the deadlines for review and comment. It is also the responsibility of the Contractor to have any identified encounter data issues corrected and adjudicated no later than 15 months from the end of the period being reconciled. AHCCCS will not consider any data submitted for reconciliations by the Contractor after these timeframes. Any encounter data issues identified that are the result of an error by AHCCCS will be corrected prior to the final reconciliation.
5. The Contractor shall submit any additional data as requested by AHCCCS for reconciliation purposes (e.g. encounter detail file, revised subcapitated/block purchase expense report, etc.).
6. The Contractor shall report all subcapitated/block purchase expenses in a format requested by AHCCCS. Subcapitated and block purchase encounters should have a CN 1 code of 05 and a paid amount of \$0 for all non-PCP rate parity encounters. All subcapitated encounters that have a health plan paid amount greater than \$0 will be excluded from the reconciliation expenditures. This includes all subcapitated amounts greater than \$0 for PCP Rate Parity that are subject to AHCCCS cost settlement.
7. If the Contractor performs recoupments/refunds/recoveries on the related subcapitated/block purchase expenses, the related subcapitated/block purchase expense report must be adjusted or revised. AHCCCS reserves the right to adjust any previously issued reconciliation results for the impact of the revised subcapitated/block purchase expense report and recoup any amounts due AHCCCS. If the Contractor does not submit the revised subcapitated/block purchase expense report within the required timeframe, AHCCCS may recoup the estimated impact on the reconciliation and reserves the right to sanction the Contractor.
8. If the Contractor performs recoupments/refunds/recoveries on the related claims, the related encounters must be adjusted (voided or void/replaced) pursuant to ACOM Policy 412. AHCCCS reserves the right to adjust any previously issued reconciliation results for the impact of the revised encounters and recoup any amounts due AHCCCS. If the Contractor does not submit the revised encounters within the required timeframe, AHCCCS may recoup the estimated impact on the reconciliation and reserves the right to sanction the Contractor.

IV. NON-TITLE XIX/XXI PROFIT LIMIT POLICY SFY 17 AND FORWARD**A. AHCCCS RESPONSIBILITIES**

1. In accordance with Maricopa County and Greater Arizona Non-Title XIX/XXI Contracts, AHCCCS shall, on a state fiscal year basis, not allow the Contractor to earn a profit from allocated funds for Non-Title XIX/XXI General Funds (SMI, Crisis and Supported Housing), the Housing Trust Fund (formerly known as Senate Bill (SB) 1616 Housing) and Bridge Subsidy. There is no maximum loss for Non-Title XIX/XXI funding sources.

AHCCCS shall, on a state fiscal year basis, allow the Contractor to earn a profit from allocated funds for Substance Abuse Block Grant (SABG), Mental Health Block Grant (MHBG) and County. Various funding sources are combined and reported as "Non-Title XIX/XXI Other." Some of these sources are eligible for profit, other sources are not eligible for profit. Contractors will be notified via Allocation Letters as to which funding sources may earn a profit and the profit percentage will be specified accordingly. Profits earned in the aforementioned funding sources are limited to 4% of Medical Revenue as follows:

Profit to be Limited = Medical Revenue less Medical Expense

Profits in excess of the established limit must be returned to AHCCCS. Losses are not reimbursable.

Profit/Loss % = Profit to be Limited divided by Medical Revenue

Profit/Loss associated with the SABG funding source will be assessed separately from the MHBG funding source. Profit/Loss associated with the MHBG funding source will be assessed as MHBG SED and MHBG SMI funding sources combined. Other Non-Title XIX/XXI Profit/Loss will be assessed on applicable Non-Title XIX/XXI Other and County funding sources combined. In instances where the revenue reported in Non-Title XIX/XXI Other is not subject to any profit, the revenue and expenses will be excluded from the Profit Limit accordingly.

Attachment D to this Policy provides an example of the Non-Title XIX/XXI Profit Limit Template.

2. When applicable, AHCCCS shall calculate profit limits for other Federal Grant funds, if appropriate, as identified in the AHCCCS Allocation Schedule and/or allocation letters.
3. AHCCCS shall exclude imposed sanctions and taxes as expenses for the purpose of calculating profit or loss.

4. AHCCCS shall calculate the initial determination of the Contractor's Profit Limit based on the information provided by the Contractor in Section IV.B.1. AHCCCS will provide the Contractor with an initial determination letter including the Contractor's Profit Limit and notice of the deadline for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate Contractor comments and make any adjustments, as warranted. AHCCCS shall calculate the final determination of the Contractor's Profit Limit and issue a final determination letter.
5. AHCCCS shall review the estimated profit limit payable and reported accruals for Non-Title XIX/XXI funding sources on the financial statements submitted to AHCCCS on a quarterly basis as specified in the AHCCCS Financial Reporting Guide for RBHA Contractors.
6. If the Contractor fails to meet the required encounter percentage of Non-Title XIX/XXI Revenue as calculated in the final Encounter Evaluation Report for the applicable period (refer to the AHCCCS Financial Reporting Guide for RBHA Contractors for additional information). AHCCCS may adjust the profit limit calculation to account for the under-reported expenses.
7. AHCCCS reserves the right to compute the profit limit prior to the receipt of the final audit using the most current financial reporting and process partial profit limit recoupments. Any amount due to or from the Contractor as a result of computing the profit limit after receipt of the final audit will be paid or recouped through future Non-Title XIX/XXI payments.

B. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall submit financial information for the four quarters ended June 30, 2017 and forward or, if there is an audit adjustment, the Contractor's final adjusted year-to-date June Financial Statements for the four quarters ended June 30. The submission shall also include the final Non-Title XIX/XXI Profit Limit Template and be submitted to DHCM Finance within 30 days of the submission of the final Audited Financial Statements to AHCCCS. AHCCCS may request additional revised financial statements, as needed.
2. The Contractor shall not earn a profit from allocated funds for Non-Title XIX/XXI General Funds (SMI, Crisis and Supported Housing), the Housing Trust Fund (formerly known as SB1616 Housing) and Bridge Subsidy. Unexpended funds in these funding sources must be returned to AHCCCS upon request. Losses in these funding sources will not be reimbursed. The Contractor is under no obligation to deliver or pay for services beyond the amount funded by AHCCCS. The Contractor

shall manage these allocated funds for services to eligible persons in a manner to enable the Contractor to deliver services throughout the state fiscal year.

3. The Contractor shall expend a minimum of 92% of Non-Title XIX/XXI funds on medical expenses and is limited to 8% on administrative expenses for Non-Title XIX/XXI General Funds (SMI, Crisis and Supported Housing) and the Housing Trust Fund (formerly known as SB1616 Housing). Non-Title XIX/XXI funds not expended on medical and administration, including amounts under the required 92% for medical and the 8% limit on administration, shall be returned to AHCCCS. There is no maximum loss for Non-Title XIX/XXI funding sources. The Contractor shall accrue a Payable to AHCCCS on a quarterly basis as specified in the AHCCCS Financial Reporting Guide for RBHA Contractors and return unspent medical or administration funds as described in #6 below.
4. The Contractor shall not exceed the 4% profit limit as established by AHCCCS for SABG, MHBG, County and Non-Title XIX/XXI Other, when appropriate, and shall return excess profits to AHCCCS as described in #6 below. There is no maximum loss for Non-Title XIX/XXI funding sources. The Contractor shall accrue a Payable to AHCCCS on a quarterly basis as specified in the AHCCCS Financial Reporting Guide for RBHA Contractors.
5. The Contractor shall not exceed the profit limit for other Federal Grant funds, when appropriate, as identified in the AHCCCS Allocation Schedule and/or allocation letters and shall return excess profits to AHCCCS as described in #6 below. The Contractor shall accrue a Payable to AHCCCS for profits in excess of the established limit for other Federal Grant funds.

The Contractor shall return excess profits to AHCCCS in the manner outlined in the final determination letter or as otherwise directed by AHCCCS.